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MEMORANDUM

To: Transportation Committee

Date: June 3, 2009

From: Matt Maloney, Senior Manager, Program and Policy Development

Re: GO TO 2040 Financial Plan and Fiscal Constraint

The purpose of this memo is to provide the Transportation Committee with a broader overview of the process and timeframe by which *GO TO 2040* will estimate revenues and costs related to the region's transportation system. Long range plans are required to demonstrate "fiscal constraint" under federal law. The expectation is that the costs of maintaining, operating, enhancing, and expanding the system should be equal to or less than the revenues that can be reasonably projected for the purposes of financing transportation in the metropolitan region.

Three sections follow. The first part describes how revenues will be estimated. The second part describes how costs will be estimated. The third part describes the time frame for completing this work.

Available and Reasonably Expected Revenues

Calculating revenues has two primary components. The first component is the collection and projection of revenues that the region currently receives for transportation. These include sources like the State Motor Fuel Tax (at its current rate), Vehicle Registration fees, Tollway revenues, the RTA sales tax, and farebox revenues to the service boards. Data on these revenues have been collected historically by CMAP and its predecessor agencies. Data originates from various state sources, including the Illinois Department of Revenue, the Comptroller, the Secretary of State, and the Illinois Department of Transportation (IDOT). Local revenue sources are derived primarily from State MFT disbursements to local governments (counties, municipalities, townships), as well as an estimate of local own-source transportation revenues. Local estimates are based upon a survey of local budgets as well as U.S. Census of Governments data, which allows the user to extract own-source transportation revenues from federal or state transportation subsidies.

Historical revenue data will be projected out to 2040 based on trend-line estimates, annual growth assumptions, or regression analysis based on CMAP's socioeconomic forecasts. These revenue estimates are currently being assembled by CMAP staff in consultation with the RTA, IDOT, and the Illinois Tollway. The RTA is chiefly responsible for the data collection and forecasting of revenues for the regional transit system. In May, staff presented the Committee with a draft document showing non-forecasted estimates of currently available transportation revenues. Any further comments on these figures are greatly appreciated.

In addition, FHWA/FTA guidance on the fiscal constraint permits MPOs to calculate revenues that can "reasonably be expected". What is "reasonable" usually constitutes a judgment call, based upon the current political and policy climate at various levels of government. Some examples of "reasonably expected revenues" that CMAP might estimate include, but are not limited to, the following:

- An 8-cent increase in the State MFT.
- The institution of a vehicle miles traveled (VMT) tax.
- The institution of congestion pricing on extensive segments of the region's expressways.
- The institution of variable parking pricing in the region.
- Public-private partnerships for financing major projects.

At upcoming points in the process (summer through the winter of 2009), staff will consult with the CMAP Transportation Committee regarding revenue estimates. CMAP will also work closely with the FHWA and FTA regarding the appropriateness of all assumptions made in this process. Staff will continue to work with implementers across the region on deriving and scrutinizing these figures.

Costs of Maintaining, Enhancing and Expanding the System

In *GO TO 2040*, the maintenance, operations, smaller-scale enhancements, as well as major capital projects for the transportation system will be presented with an estimated cost. These costs are being derived from unit and systems costs derived from consultation with IDOT, the Illinois Tollway, RTA, transit service boards, counties, and municipalities.

Maintenance, operations, and smaller-scale enhancement costs will be presented as part of the *GO TO 2040* preferred scenario. Major capital projects will be selected in an accompanying process that will involve project evaluation in fall 2009 and project recommendations by early 2010. Major capital project costs will be estimated in partnership with implementers.

Financial capacity analysis in *GO TO 2040* will break expenditures into four basic categories:

- Basic maintenance and system preservation costs required to keep the system operating safely and adequately.
- Additional maintenance and preservation activities that move the transportation system toward a "State of Good Repair".
- Smaller-scale strategic enhancements such as transit service expansions, systematic arterial improvements, and others; these types of strategies are synonymous with the planning strategies described in CMAP's alternative scenarios.
- Major capital projects.

Of these expenditures, the first category – maintaining and preserving a safe and adequate transportation system – is a necessity. Investments within the other three categories will be prioritized through the *GO TO 2040* process, and tradeoffs between expenditures in these categories are expected.

At upcoming points in the process (summer through the winter of 2009), staff will consult with the CMAP Transportation Committee regarding cost estimates regarding these four categories. CMAP will also work closely with the FHWA and FTA regarding the appropriateness of all assumptions made in this process. Staff will continue to work with implementers across the region on deriving and scrutinizing these figures.

Timeline for Committee Input

July 31

- Present draft forecasts of all current revenue sources as well as other reasonably expected revenue sources for consideration and input.
- Present draft estimates of basic maintenance and system preservation costs, and discuss an approach to determining "state of good repair".

September 18

- Present any refinements to the revenue forecasts.
- Present estimates of maintenance and system preservation costs, state of good repair, and an estimate of smaller scale strategic enhancement costs in the Plan's preferred scenario.

November 20

• Finalize available revenues as well as all non-major capital project costs to coincide with endorsement of the Plan's preferred scenario.

December-February 2010

• Endorsement of major capital projects and demonstration of the Plan's fiscal constraint.